ALBERTA SERVICE EXPORTS STUDY 1999

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EXECUTIVE SUMMARY

Study Objectives

The intent of the Alberta Service Exports Study 1999 was to acquire substantive qualitative data on the trade competitiveness issues being faced by Alberta service exporters. The focus of the research was on (1) business services: as represented by firms engaged in the export of oil and gas services, geomatics, computer services, management consulting, and/or architectural services; (2) construction and engineering: as represented by firms engaged in the export of consulting engineering services and construction services; and, (3) environmental services.

The results of the research are proposed to be used for two purposes:

* to provide detailed input for the upcoming Seattle round of negotiations within the General Agreement on Trade in Services (GATS) regarding the liberalization commitments that would be most helpful by sector, mode of supply, and export market; and
* to design export support initiatives to assist in increasing service exporters' international competitiveness.

Sample Characteristics

* In aggregate 100 company interviews were undertaken throughout the duration of this project. Collectively the sample exhibited a fairly balanced cross section of experience: 25% with less than five years experience; 35% with five to ten years experience; and, 40% with more than ten years experience.
* Within the sample of companies interviewed, 26% had in excess of 50% of their gross earnings tied to exports; and, 47% had in excess of 25% of their gross earnings tied to export activity. Most of the companies interviewed reported that they employ more than one way to supply their services abroad.
* Companies reported supplying their services by personnel travelling to their customers (80%), by shipping the specific service abroad (63%), by establishing an affiliate or a representative in the foreign market (48%), or by having the customer travel to Alberta and be the recipient of the service (25%).

Export Markets

* Based on the seven top current export markets identified, 43% of the firms interviewed stated that the U.S. was an important market for them in terms of revenues earned, while the next most frequently mentioned countries, Venezuela, Australia and the U.K., followed at 13, 11 and 10 percent respectively.
* Similar to the situation with current markets, the United States led all other countries as being the market that the largest percentage of respondents have an interest in pursuing over the next three to five years – 17%.
* Other than the United States, the four top future markets of interest are all in Latin America, representing in aggregate 46% (Brazil, Argentina, Mexico and Chile).

* Respondents employed a wide variety of methods to develop their service exports, the most significant being the use of networks and referrals (27%).

Report Findings

* Only 10 percent of the respondents in the sample surveyed stated they use electronic commerce in the export sale of their services. For those using the technology, security and payment issues are important factors to enhancing its usage.
* Almost all respondents (90%) knew of some type of assistance that is offered by the Alberta or Federal Governments to build service exports; respondents most frequently mentioned the Program for Export Market Development (PEMD) as the most useful.
* By far the majority of market access barriers encountered fell within the category of unfavorable domestic regulations, reported to be a difficulty by 48% of respondents, followed by unobjective technical requirements representing a problem for 33% of all respondents.
* Countries identified as particular problems in regards to transparency were India, Iran, Thailand, China, Mexico, Venezuela, Kazakhstan and Albania.
* As a whole, 82 percent of respondents generally do not want any particular Alberta or Federal laws preserved in an international negotiation on services. Indeed, the prevailing view is that wherever possible the Canadian market should be opened more.

Trade Barriers	Primary Offending Countries	Major Issues
Temporary Business Entry	USA 64.5%	USA Customs/Immigration. Lack of understanding re: NAFTA. Work permits and temporary visas problematic. Other countries difficulties arise due to Canadian political positions.
Recognition of Professional Credentials	USA 80.0%	Lack of reciprocity re: professional certifications. No recognition re: technologists. Some countries (Greece) use this premise to enforce use of local agents and/or professionals.
Unfair Domestic Subsidies	Venezuela 33.3%	Least mentioned of the barriers. Venezuela offers a 10% subsidy to domestic providers.
Unfair Domestic Regulations	USA 27.1%	Numerous and conflicting state and federal acts. Buy America Legislation, SBSAs. Unfair and confusing tax legislation (Russia and Mexico).
Less Favorable Treatment	Iraq 16.7%	Most Middle East countries grant a favorable position to certain countries. Publish a list of favorites. Gulf War fallout. Also questionable behavior by other countries in the process, specifically France.
Unobjective Technical Requirements	USA 36.1%	Use of local resources and/or hire local policies. Common in other countries - Brazil, Venezuela, Middle East. In some cases IFI contracts require a buy local agreement.
Other		Transparency. Competing with government subsidized Crown companies and agencies.

Recommendations

The following recommendations have been formulated from the various observations, comments, and conclusions generated throughout the tenure of this research effort:

1. Allocate resources within the Alberta Government to assist firms in the province that are encountering difficulties with specific non-tariff barriers.

2. Advise Alberta-based service firms via e-mail as significant developments occur with GATS negotiations. As well, the information should be posted and highlighted on the Alberta Government Website.

3. Encourage the teaming of companies into consortia and strategic alliances to strengthen the expertise and service offered on large foreign projects. As well, assist smaller firms with the preparation of IFI bids.

4. Encourage the development of a mentoring program for new exporters, or those considering exporting their services.

5. Provide training to service exporters on how to enter new markets. Focus on actual provision of specific "how to" information that focuses on particular industry structures, distribution systems, contacts, and so on.

6. Encourage the Export Development Corporation (EDC) to lower the contract amounts it will insure.

7. Encourage the Federal Government to review PEMD with a view to streamlining its application and reporting procedures.

1.0 BACKGROUND INFORMATION

1.1 GATS (The General Agreement on Trade in Services)[1]

Negotiated in the Uruguay Round, the General Agreement on Trade in Services (GATS) sets the basic "service" trade rules for 135 member countries of the World Trade Organization (WTO)[2]. Unlike the GATT, which applies only to goods, GATS applies both to goods and services. In its broadest definition, GATS is the first multilateral agreement to provide legally enforceable rights to trade in all services. It has a built-in commitment to continuous liberalization through periodic negotiations and it is the world's first multilateral agreement on investment, since it covers not just cross-border trade but also three other modes of supply including commercial presence and every other possible means of supplying a service. The GATS is structured in three parts: a framework agreement covers all services except those provided in the exercise of governmental authority; schedules of specific commitments by each WTO Member; and annexes that contain negotiated agreements among a subset of Members (e.g., movement of natural persons, financial services, telecommunications, air transport). The *framework agreement* contains two basic principles that apply across all covered services:

- **Transparency**
  GATS requires governments of member countries to publish all relevant laws and regulations. Further, member governments must set up inquiry points within their bureaucracies. Foreign companies and governments can then use these inquiry points to obtain information about regulations in any service sector. Member countries must notify the WTO of any changes in regulations that apply to the services that come under specific commitments.

- **Most-Favored-Nation Treatment (MFN)**
  Members must treat trading partners equally, with the exception of "MFN exemptions" claimed in order to provide more favorable treatment to certain trading partners (typically in a free trade agreement).

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[1] *Much of the information contained in this section of the report was taken directly from the World Trade Organization's website. This is not intended to be a comprehensive description nor overview. Rather, key information has been excerpted and is presented in summary form only so as to convey a sense of the framework in which the Alberta Service Exports Study 1999 has been undertaken. Detailed information on the World Trade Organization and GATS can be accessed directly at http://www.wto.org/index.htm .*

[2] *The WTO, successor to GATT, began in 1995. An intergovernmental organization, its role is to administer trade agreements, act as a forum for trade negotiations, settle trade disputes, review national trade policies, assist developing countries in trade policy issues, and cooperate with international organizations. A WTO Council for Trade in Services oversees the operation of the GATS.*

In the *schedule of specific commitments*, each Member is required to indicate the liberalization concessions it will grant for each type of service, by mode of supply, with regard to:

? **Market Access**
The ability to supply the market through any of the four modes of supply.

? **National Treatment**
Treating foreign services and service suppliers in an equitable manner with domestic service suppliers

It is important to note that no Member is required to grant market access or national treatment. Members are only required to follow-through on the commitments that they "schedule."

At the end of the day, the GATS is concerned with identifying and negotiating all measures that have a distorting effect on the trade in services. Governments are expected to impose domestic regulations but are asked to ensure that they regulate reasonably, objectively, and impartially and provide a mechanism for reviewing their decisions. They may enforce some quantitative limits on market access but only in prescribed ways.

1.2 The New GATS Round and Project Positioning

Among a number of other priority trade issues scheduled for discussion and/or negotiation, negotiations to further liberalize trade in services will take place in Seattle, Washington from November 30th through December 3rd, 1999 during the 1999 WTO Ministerial Conference Meeting. As part of the New Round of GATS negotiations begun in December 1999, Canada will be taking part in ongoing discussions aimed at enhancing progressive liberalization within the twelve service categories named in GATS. Those discussions over the next several years will focus on the scheduling of further liberalization commitments, ensuring that the existing commitments to transparency and MFN are being honored, and developing international trade disciplines in subsidies, emergency safeguards, government procurement, and electronic commerce.

For the purposes of the GATS negotiations, the federal government requires an accurate assessment of the trade barriers encountered by service exporters in this country. In coordination with the Department of Intergovernmental and International Relations, who will provide the Federal Government with Alberta's position regarding the GATS negotiations, Alberta Economic Development (AED) has initiated this research to provide updated and reliable information on trade barriers faced by the province's services exporters by market, sector, mode of supply, and type of barrier.
Importantly this research effort is related directly to the following elements of the AED Business Plan for the period 1999-2002:

* Support government efforts in developing cooperative trade initiatives and in reducing trade impediments in key markets and be an advocate for open competition.

* Encourage forward thinking about the long-term future of the Alberta economy and a collaborative approach to address key economic policy issues and identify priorities.
* Provide leadership in intergovernmental economic planning, international trade planning and development initiatives.
* Undertake economic and business research and provide analysis of economic and business issues.

1.3 Purpose of the Research

As noted within the Alberta Service Exports (ASE) proposal call, the intent of this research effort was to acquire substantive qualitative data on the trade competitiveness issues being faced by Alberta service exporters. The focus of the research was on a subset of GATS' twelve service export categories including: (1) business services: as represented by firms engaged in the export of oil and gas services, geomatics, computer services, management consulting, and/or architectural services; (2) construction and engineering: as represented by firms engaged in the export of consulting engineering services and construction services; and, (3) environmental services. The results of the research are proposed to be used for two purposes:

(a) to provide detailed input for the upcoming round of negotiations within the General Agreement on Trade in Services (GATS) regarding the liberalization[3] commitments that would be most helpful by sector, mode of supply, and export market; and

(b) to design export support initiatives to assist in increasing service exporters' international competitiveness.

1.4 Objectives of the Project

Under the direction of the Project Management Team and with the technical support of Service-Growth Consultants, Whyte Reynolds International was charged with the responsibility to collect qualitative information from representatives of Alberta's service exporters in respect of:

(a) the ways in which these companies export their services (modes of supply[4]) and the types of services they exported;

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[3] *Liberalization refers to increasing market access and improving national treatment for all covered services in all four modes of supply.*

[4] *Under GATS, a service is exported when the buyer is a non-Canadian, regardless of where the service delivery takes place. As part of the General Agreement on Trade in Services, and as noted above, there are four "modes of supply" that are considered exports of services:*

Mode 1: Cross-border: *Here the service crosses the border, independent of the Albertan exporter or the consumer. Examples include services provided through the telecommunications or postal infrastructure, such as consulting or market research reports, tele-medicine, distance training, etc.*

Mode 2: Consumption abroad: *Here the consumer crosses the border into Alberta. Examples include hotel or restaurant services for non-residents, training programs for foreign students, health services provided to non-residents, etc. Covered also is the movement of the consumer's property (e.g., sending equipment to Alberta for repair).*

Mode 3: Commercial presence: *Here the supplier of the service is a locally-established affiliate, subsidiary, or representative office of an Alberta service firm, which may employ local personnel or be incorporated under local*

(b) the barriers these companies have faced in market access[5] (by mode of supply);
(c) the barriers these companies have faced in national treatment (by mode of supply);
(d) the problems these companies have encountered relative to transparency or Most Favored Nation status (MFN);
(e) the export markets these companies view as the most important;
(f) the factors these companies view as important in respect of the utilization of e-commerce in the export of their services; and,
(g) the assistance these companies feel they require from government in order to enhance their level of success in exporting.

In addition to the utilization of this information for the purposes of better understanding the impediments to Alberta's service exports and to identify Alberta-specific interests and priorities for the upcoming GATS negotiations, it is proposed that this information will further enable the Alberta government to gain insight into what initiatives it can pursue to increase the international competitiveness of the province's service exporters in specific service industries.

1.5 Project Management Team

The Alberta Service Exports Study 1999 was directed by a Project Management Team representing Alberta Economic Development: External Relations, Business Information & Research, and Program Evaluation & Performance Measurement; and, the Department of Intergovernmental and International Relations. Service-Growth Consultants was retained to assist Whyte Reynolds International Inc. in developing and implementing the methodology and protocol for the project.

1.6 Project Milestones

The Alberta Service Exports Study 1999 was commissioned in July of 1999. The research and project methodology were agreed to by August 15, 1999. The interview format and protocol, including questionnaire testing and modifications, was completed by September 1, 1999. The majority of interviews were undertaken over the period September 6, 1999 to October 25, 1999. Follow-ups were completed by November 1, 1999. The recording of qualitative data collected was undertaken throughout the tenure of the information collection period. The initial analysis of collected data was completed by October 15, 1999 and refined into a final format by November 1, 1999.

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laws. While the actual service provision is by a "resident", the investor is foreign (i.e., an Alberta company). Examples include local offices of multinational service firms, offices for infrastructure projects, etc.
***Mode 4: Movement of natural persons:** Here the Alberta supplier of the service is in the foreign country on a temporary basis and so remains a non-resident. Examples include professionals travelling abroad to meet with clients, provide training sessions, etc.*

[5] *Market access is defined as the ability to supply the market through any of the modes of supply.*

2.0 RESEARCH METHODOLOGY

2.1 Information Collection and the Interview Process

Notably all of the information collected by Whyte Reynolds International Inc. and subsequently compiled and analyzed in Section 3.0 below, was collected via one-on-one interviews. Care was taken to ensure that each interview was conducted with a company representative familiar with the issues presented. As a means of conveying the importance of this exercise and in light of the senior staff levels of the majority of those interviewed, all interviews were undertaken by senior staff and/or partners of Whyte Reynolds International Inc.

While on some occasions more than one company representative participated in the interview, no effort was made to organize an inner-company or inner industry focus group or groups. This conscious decision to collect information individually versus a focus group format was done for the following reasons: (1) for the most part those individuals knowledgeable enough to comment on the questions posed in the interview were all senior company officials and the task of finding a commonly acceptable appointment time and venue for four to five such executives was, at best, unlikely given the limited time available for data collection and analysis; and, (2) a number of the questions asked, i.e., export reliance, key export market areas, future export markets, marketing methodologies and the like are generally not the types of information that competing companies prefer to share regardless of the broader good of a more synergistic input to the GATS negotiations.

2.2 Interview Protocol

Central to the task of collecting information was the preparation of a proper survey form and interview protocol. To this end every effort was made to ensure that the questionnaire was structured in a logical order, building from basic company information; to a general overview on export reliance, experience and future plans; to an investigation into the knowledge of and/or experiences faced in respect of trade barriers; and, finally to the collection of individual interests in ongoing participation in the GATS process. As much as possible every effort was made to ensure that the questions posed were clear, complete and understandable. The interview protocol so structured was pilot tested in late August and was subsequently revised as a result of this pilot testing and from input received by Service-Growth Consultants. The final version of the Interview Protocol is appended to this report as Appendix A.

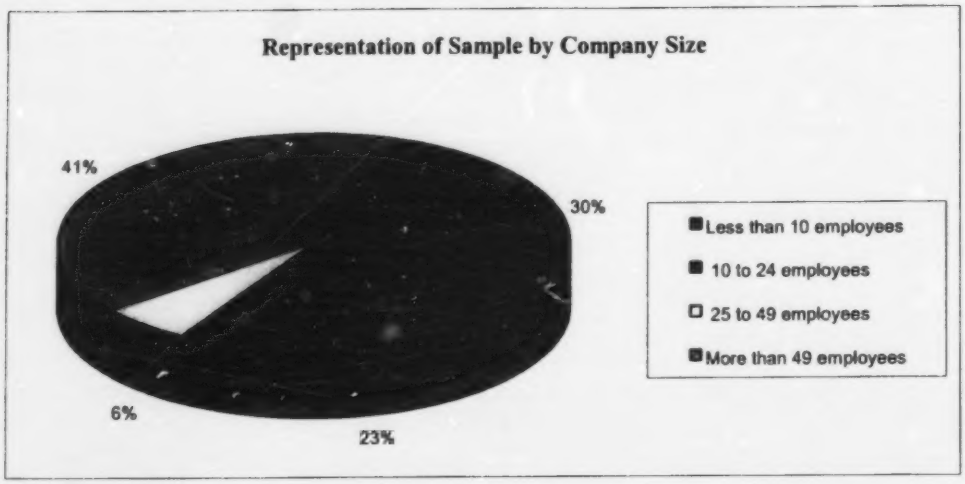
For the most part the interview format and protocol proved quite easy to administer and generated sufficient qualitative information to complete the terms of this assignment. As designed it provides an adequate framework for subsequent research. However, the attempt to detail current service exporting activity by mode of supply, and current and proposed export markets proved unworkable given the manner in which responding companies generally maintained statistics describing their export experiences.

2.3 Sample Size and Character

The initial sample was selected from company contact information provided by the Project Management Team to Whyte Reynolds International Inc. While this initial list provided a good starting point, the list was insufficient to meet the full parameters of the research effort, i.e., it omitted a number of key companies; inadvertently included a number of product manufacturers/exporters who did not export any services; inadvertently included companies which had ceased operations; and contained a substantial amount of duplication. As such it was necessary to add and amend this initial list to arrive at an adequate sample size and mix.

In aggregate 100 company interviews were undertaken throughout the duration of this project. The sample was organized and stratified by a number of key characteristics to ensure that it was adequately representative of the mix of respondents necessary from which to collect a sufficient and relevant base of information.

The methodology of collection and categorization employed a process in which respondents were asked to choose the industry type that best fit or best described their service export activities (self-identification). However, while there were many instances where industry categorization was quite straightforward, there were other instances in which respondents defined their company's export services as being characteristic of more than one industry category. This was commonly the case within the larger multidimensional enterprises. In these instances multi-categorization was recorded with some percentage approximation across the various relevant sectors. Certainly the dearth of 100% geomatics firms is indicative of this multi-categorization. In fact many companies who export geomatics services are also heavily involved in oil and gas services. In other cases, as noted in the discussion on research limitations below, some obvious mis-categorizations occurred where companies engaged in one sector felt they were best described or defined within another, e.g., one company that provided underwater camera services for water lines felt its services were best described as consulting engineering versus Statistics Canada's definition of their services as being environmental. In aggregate these instances of confusion in industry type categorization were generally few. As such, Whyte Reynolds International Inc. feels this confusion has not unduly distorted or misrepresented response patterns, nor biased subsequent conclusions and recommendations. The final sample stratification is presented on the following page by size, service industry, and type of services exported.

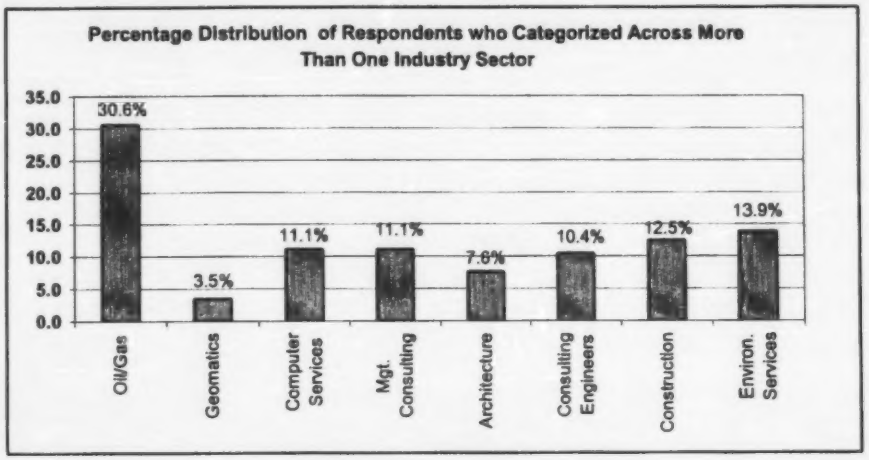


Representation of Sample by Industry and Services Exported

Service Industry	Number	Percent	% Exporting Only Within Their Industry
Business Services:			
Oil and Gas Services	44	30.3	70.7
Computer Services	16	11.0	37.5
Management consulting	16	11.0	37.5
Architectural Services	11	7.6	27.3
Geomatics	5	3.4	60.0
Construction/Engineering:			
Construction	18	12.6	38.9
Consulting engineering	15	10.3	46.7
Environmental Services	20	13.8	50.0
Totals	145[6]	100.0%	48.3%

For the most part, other than company location, the representation of surveyed firms was fairly balanced across the spectrum of industry categories, company size, export reliance and export experience (see also Section 3.1). In respect of location by far the majority of companies surveyed were located within Calgary or Edmonton. While we feel this locational bias does not unduly distort the response patterns and the conclusions drawn therefrom, for information purposes we have broken out specific instances of significant variances by location in Section 3.

[6] *Total adds to greater than 100 due to a number of companies indicating involvement in more than one service industry sector.*



2.4 Research Limitations

As with every research effort and particularly those encompassing primary data collection where subjective input is sought on a variety of technical issues, there are limitations inherent to the analysis based upon certain prior assumptions and the manner or method in which the information has been collected and subsequently analyzed. While considerable care was taken throughout this research effort to ensure that the information collected was unbiased, complete and accurate, there remain a number of cautionary points that the reader of this report should be aware of. Notwithstanding the generality of the foregoing, the following qualifications are presented:

a) this review of Alberta service exporters encompassed a sample of 100 companies representing eight industry sectors. As much as possible efforts were extended to ensure that the sample was representative of the population. However there remains considerable variation of activities and experiences within each sector, especially that of oil and gas. Arguably the lack of a general homogeneity of firms within this sector and others suggests that regardless of sample size, there may not be sufficient information on a number of issues to formulate a conclusion or recommendation that can fairly represent a specific industry position;

b) while care was taken to ensure that each company representative interviewed was familiar with the issues under discussion, there may be instances within the collected information where a technically incorrect assertion in respect to any number of matters, e.g., barriers or impediments to market access, was recorded at face value. To the degree that perception is reality this is not an error in and of itself, however the conclusions drawn from such assertions may better reflect educational issues rather than trade negotiation matters;

c) in most cases the ranking of issues was based on the frequency of responses rather than magnitude. This may tend to mislead if taken at face value. For example, in respect of frequency we might find cross-border to be the primary mode of supply within a particular sector and commercial presence considerably further down the list. Logically this might lead to a greater emphasis (recommendation) on trade negotiations around barriers affecting cross border supply. However, in respect of financial impact, commercial presence might be by far the most significant and one would suggest that time might be better spent on these issues instead. Along similar lines, the influence of the United States as a dominant export market today and for the foreseeable future might unduly diminish the importance of trade liberalization efforts with other countries. Of course the assigning of priority must also consider the existing position and conditions of liberalization efforts;

d) self-identification, as noted above, may have resulted in mis-categorization of certain enterprises. This mis-categorization may have distorted response patterns and subsequent analyses; and,

e) inasmuch as this research effort represents a static review of a dynamic situation, it is important to remember that issues and observations today may change tomorrow with concurrent impact on the relevance of certain observations, conclusions and recommendations.

While there is merit in being aware of these research limitations and the degree to which they may influence the various conclusions drawn and recommendations posed, Whyte Reynolds International Inc. does not feel that they unduly detract from the overall validity of the exercise.

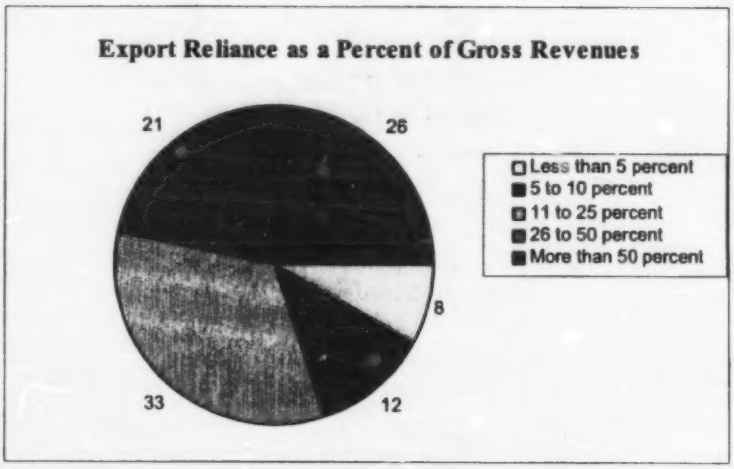
3.0 RESEARCH RESULTS

3.1 Export Experience and Dependence

Export reliance: *What approximate percentage of your company's revenues are generated by service exports and how long has your company been exporting?*

By definition all of the companies interviewed were service exporters. Collectively the sample exhibited a fairly balanced cross section of experience: 25% with less than five years experience; 35% with five to ten years experience; and, 40% with more than ten years experience (see chart, below). As expected the value of this experience and maturity contributed significantly to the quality of input and discussion. Issues presented and conclusions drawn reflect this substantive base of on-the-ground experience.

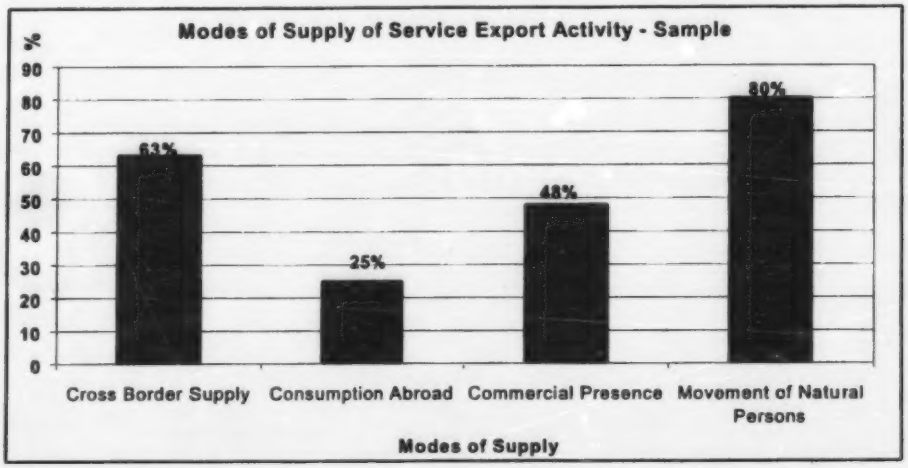
Years of Export Experience	
Less than 5 years	
25	25.0%
5 to 10 years	
35	35.0%
More than 10 years	
40	40.0%



While services exporting is regarded as being increasingly important to provincial and national well-being, it is already important to a growing number of Alberta companies. If the sample of those interviewed is indicative of the population of Alberta service exporters, it is critical to note that 26 percent had in excess of 50 percent of their gross earnings tied to exports; and, 47% had in excess of 25% of their gross earnings tied to export activity. Further it was frequently noted during the interview process that many of the existing service exporters intend to expand and/or enhance their exporting activities. Within this context, trade liberalization efforts as encompassed within the context of the GATS take on a vital importance and must focus on the issues that will really help service exporters.

3.2 Modes of Supply

Modes of supply: *By percent of gross revenues earned from service exports what modes of supply are most often utilized by your company?*



Most of the companies interviewed reported that they employ more than one mode of supply in their export activities. The primary mode of supply is movement of natural persons, reported to be the choice of 80% of the responding companies, followed by cross border supply 63%, commercial presence 48% and consumption abroad 25%.

Again it should be recognized that the companies interviewed self-identified their modes of supply. From the discussions it was evident that these modes are not mutually exclusive relative to an individual service export. In fact in most cases a service export would encompass the use of several modes of supply. For example, in the instance of certain architectural services, some of the services are provided via cross border then followed up with movement of natural persons. As such, barriers to trade, as they relate to modes of supply and presented in section 3.4 below, are difficult to differentiate within the context of a single service activity.

A further breakdown of the sample by mode of supply and by sector is presented in the following table. While some variation is apparent among service industries, the general pattern of the predominance of Mode 4 can be seen. The relatively small sample size that arises as a result of disaggregation precludes statistically valid arguments.

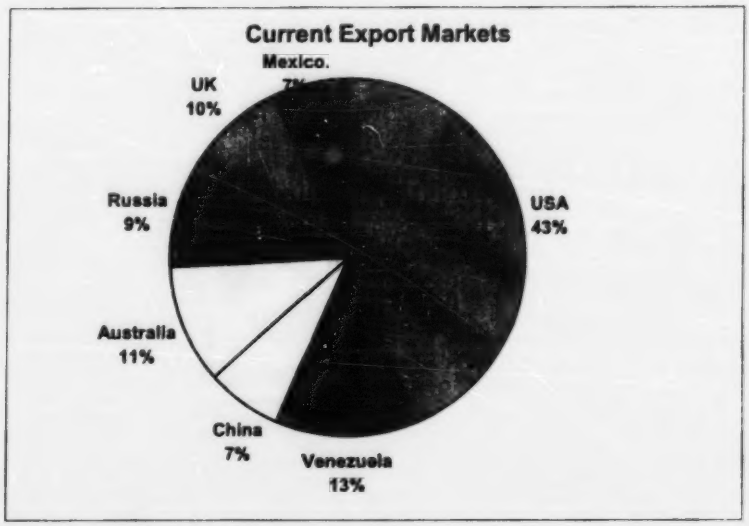
Service Sectors	Cross Border Supply %	Consumption Abroad %	Commercial Presence %	Movement of Natural Persons %
Business Services:				
oil and gas services	75.0	31.8	63.6	77.3
geomatics	60.0	20.0	60.0	80.0
computer services	75.0	25.0	43.8	87.5
management consulting	56.3	31.3	37.5	87.5
architectural services	100.0	28.6	42.9	85.7
Construction and Engineering:				
consulting engineering services	53.3	20.0	53.3	80.0
construction services	64.7	29.4	52.9	88.2
Environmental Services:	60.0	30.0	60.0	80.0

3.3 Export Markets

3.3.1 Current Export Markets

***Current Export Markets**: At the present time, by country and by activity level (e.g., % of gross service export revenues earned) what are your company's priority export markets?*

The United States was by far the most important market for the firms interviewed, as it led all other countries in the percentage of respondents indicating that it is a priority market for them. Specifically, the following chart which highlights the seven top current export markets, identifies that 43 percent of the firms interviewed stated the U.S. was an important market for them in terms of revenues earned. The next most frequently mentioned countries were Venezuela, Australia and U.K. at 13, 11 and 10 percent respectively.



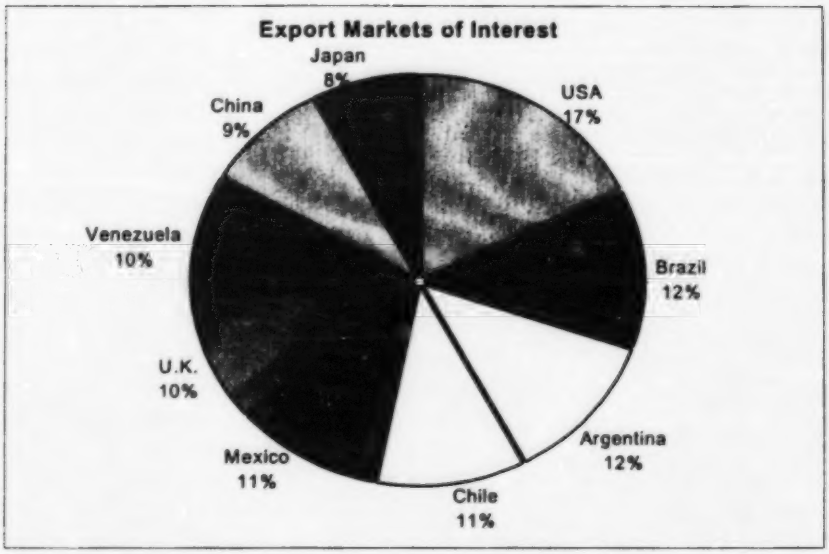
The results are based on seven top markets identified in the survey

Given that 89 percent of goods exporters in Canada have the United States as their primary market, it is obvious that at least for the types of service industry sectors covered in the survey, there is much greater market diversification. In addition, a review of the questionnaires reveals that fully 85 different countries/regions were mentioned as current markets by the participants in the survey.

3.3.2 Export Markets of Interest

***Export Markets of Interest**: In addition to the countries noted above and in order of priority, over the next three to five years what other export markets might your company have an interest in pursuing?*

Similar to the situation with current markets, the chart on the following page shows the United States leads all other countries as being the market that the largest percentage of respondents have an interest in pursuing over the next three to five years. However, unlike the dominance that the United States currently exhibits, its lead in comparison to other countries as a future market for development is rather small. In total just over 75 countries/regions were identified as being markets of interest over the next 3 to five years.



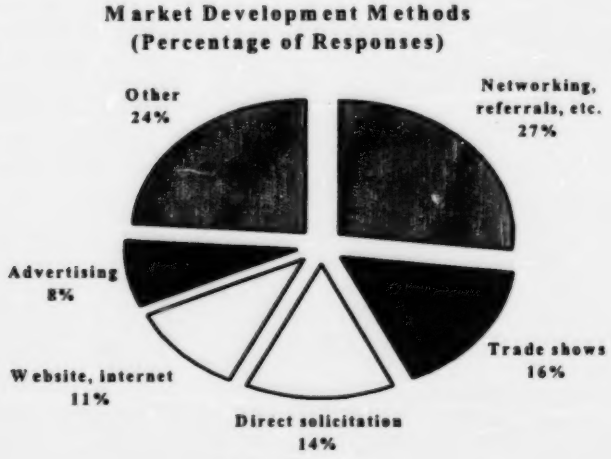
The results are based on nine top markets identified by respondents

Of course the United States is not a new market for the over 43 percent of firms in the sample that indicated it was already a priority market for them. Mathematical calculation suggests a smaller proportion of firms consider it as a fresh market for development.

More significantly it should be noted that other than the United States, the top four future markets in the table are all in Latin America. From a marketing perspective the free trade agreements that Canada has entered into with Mexico and Chile, as well as the discussions surrounding the Free Trade Area of the Americas could be influencing factors contributing to interest in the area. Other factors, though not mentioned in survey responses, might be relatively similar time zones, new immigrants from the region speaking Spanish or Portuguese and historical mining links that are leading to other types of exports. Combined with the publicity surrounding recent business missions to Mexico and South America, it is not surprising that countries in this region are receiving increased attention from the firms interviewed.

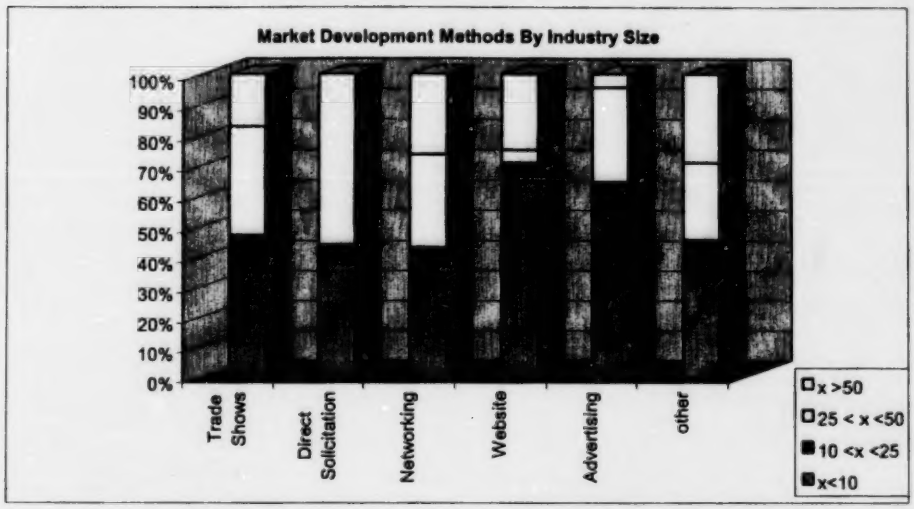
3.3.3 Export Market Development

Export Market Development: *What methods does your company usually employ to develop its service export markets? (e.g., trade missions, direct solicitations of bids, publishing of papers/research, participation in international associations, etc.)*



Respondents employed a wide variety of methods to develop their service exports, the most significant being networking and referrals. The chart above highlights that trade shows, direct solicitation of business, website/internet/electronic catalogue and advertising in trade magazines/directories/sponsorships were also popular, and together with networking and referrals, represented over 75% of the responses provided to this question.

Other market development methods comprised roughly 25 percent of the responses and included using local agents/representatives, strategic alliances and partnerships, trade missions, association memberships, as well as speaking at conferences and publishing articles in technical journals.



Market development by industry size also shows the use of networking and trade shows by all firms surveyed. Firms with more than 50 employees and less than 10 employees mostly use direct solicitation. Only firms with more than 10 and less than 25 employees rely primarily on advertising.

3.3.4 E-Commerce

E-Commerce: *Does your company use e-commerce in its export of services and if yes, what factors are important to enhance your usage?*

According to the Government of Canada[7], the use of e-commerce will be one of the most important factors in the expansion of trade flows in the 21st century. In the case of GATS negotiations, the key issue is the extent to which disciplines provided under current trade agreements address issues arising from the use of e-commerce.

Only 10 percent of the respondents in the sample surveyed stated they use electronic commerce in exporting their services. Furthermore, many were generally naïve as to the nature of this technology and consequently it was often necessary for the interviewers to elaborate on its definition and dimensions when asking the above question.

At a fundamental level, electronic commerce enables the execution of business transactions using interconnected networks. Depending on how it is applied, it can increase company performance and revenues by creating new markets for existing services, creating new information-based services as well as establishing new service

[7] *"Opening Doors to the World: Canada's International Market Access Priorities 1999", Department of Foreign Affairs and International Trade.*

delivery channels to better serve and interact with clients. The transaction management aspect of e-commerce also enables more rapid exchange and can help firms increase their efficiency to the extent it replaces business exchanges traditionally conducted with paper, such as checks, invoices and purchase orders. As well, the technology has the potential for reducing other business costs such as collections, travel, purchasing and marketing[8].

Although the development of this technology has been in process for some time, it is perhaps not surprising that only 10 percent of respondents are currently using it since the majority of firms interviewed were relatively small operations. The recent development of the World Wide Web, however, makes e-commerce more affordable for smaller businesses and enables them to compete on a more equal technological footing with larger firms.

For those using the technology, security and payment issues are important factors to enhancing its usage. In order to secure online information delivery and payment, for example, respondents stated that encryption to make the contents indecipherable except for the intended recipient, as well as authentication to ensure that customers are whom they say they are is necessary. For exporters other payment-related services would also be desirable such as currency exchange, brokerage and client financial information.

Finally, many of the respondents felt they could not use e-commerce effectively inasmuch as the services they provide are costly and specially customized to their clients' requirements. Contracts are at least in the tens of thousands of dollars and generally not standardized enough to be packaged to a wide variety of customers. As well, some felt that e-commerce was unsuitable for their clients, many of whom were located in less-developed countries where the technological infrastructure was not as advanced and understood as in Canada. Again these responses may be indicative that respondents did not fully appreciate the full dimensions and implications of the technology.

3.3.5 Service Exporting Assistance

Service Exporting Assistance: *Is your company aware of the types of assistance presently offered by the Alberta and Federal Governments to assist the private sector to build service exports? Of these existing programs, which has your company found to be the most helpful? What additional types of assistance would be helpful?*

Almost all respondents knew of some type of assistance that is offered by the Alberta or Federal Governments to build service exports. In fact, almost 90 percent of

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[8] *The Centre for Trade Policy and Law, in a paper entitled "Electronic Commerce and the Rules of the World Trade Organization", highlights that the WTO distinguishes three stages in the process of electronic commerce: searching, ordering and payment, and delivery, involving three types of commercial activity:*

?? *The sale of products that may be advertised, ordered, and paid for electronically, but which are ultimately delivered physically.*

?? *The sale of products that are advertised, ordered, paid for, and delivered electronically.*

?? *The provision of the infrastructure that makes the first or second type of transaction possible, particularly basic and enhanced telecommunications services.*

the survey participants were able to name at least one governmental assistance program in response to this open-ended question. As well, 14 percent indicated they were aware of market profile information provided through Alberta Economic Development when specifically asked if they knew about this information.

In terms of total responses however, the following table highlights that respondents most frequently mentioned the Program for Export Market Development (PEMD) offered through the Federal Department of Foreign Affairs and International Trade (DFAIT). In total, over a quarter of the responses[9] referred to this assistance. In addition, 16 percent referred to DFAIT Embassies and Consulates.

Service Exporting Assistance

Type of Assistance	Percentage of Responses
PEMD	26.0
Export Development Corporation	19.0
DFAIT Embassies/Consulates	16.0
Federal/Provincial Trade Missions/ Trade Shows	14.0
Alberta Economic Development[10]	8.0
Other[11]	17.0

Other types of specific assistance mentioned included the Export Development Corporation (19 percent), Federal/Provincial Trade Missions/Trade Shows (14 percent) and Alberta Economic Development (8 percent). Finally, the "Other" category (17 percent) refers to the variety of programs noted in footnote 11.

Of these programs, all were felt to play a useful role. However, it was obvious that PEMD, with certain qualifications noted below, is generally felt by respondents to be the most useful.

Based upon their knowledge and perceptions of the current assistance available, respondents indicated the following types of improvements or additional support would be helpful:

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[9] *Respondents could give up to 4 responses to this question.*

[10] *Includes Alberta Economic Development, Alberta Economic Development Investment Matching Service, Alberta Economic Workshops and Seminars, Alberta Economic Trade Division, Alberta Economic Market Opportunities/Market Profiles, etc.*

[11] *Includes Canadian Commercial Corporation, Canadian International Development Agency, Trade Commissioner Service, Alberta Opportunity Company, Alberta Research Council, Western Diversification, Alberta Advanced Technology, etc.*

* In regard to PEMD, many of the respondents said that while the program is beneficial, it should be less bureaucratic and involve less paper work to simplify the application procedures for funding. As well, the program's coverage could be broadened in order to develop new, higher risk and smaller business opportunities.
* More specific training and information is needed on how to market in foreign markets. Here respondents felt that there is a great deal of general information and training on cultural factors and industry opportunities. However, what is required is more specific and focussed information/training on markets and sectoral structures, e.g., their distribution systems, infrastructure, contacts and so on.
* It was felt that Government could play a useful role in facilitating smaller firms to network and to team with other companies on larger projects. Here, as well, it was felt that Government could assist with a mentoring program, whereby new exporters could be assisted by more experienced and knowledgeable firms.
* Some respondents said that the Export Development Corporation should lower the contract amounts it will insure. One even suggested that amounts as low as $1,000 to $2,000 should be insurable, although he recognized this might be difficult to accomplish.
* Several individuals suggested that Government could help with facilitating companies that experience difficulties entering foreign markets. In particular, it was felt that Government could assist companies experiencing problems at U.S. custom points with the interpretation of NAFTA provisions and U.S. immigration policy.

Other assistance that was mentioned included:

* Assistance with determining tax implications of doing business in foreign markets;
* Business Guides on how to do business in selected foreign markets;
* Facilitating smaller firms with the preparation of bids on contracts let out by International Financial Institutions; and,
* Financial assistance for smaller companies to undertake credit checks on potential clients.

3.4 Challenges Encountered in Exporting Services

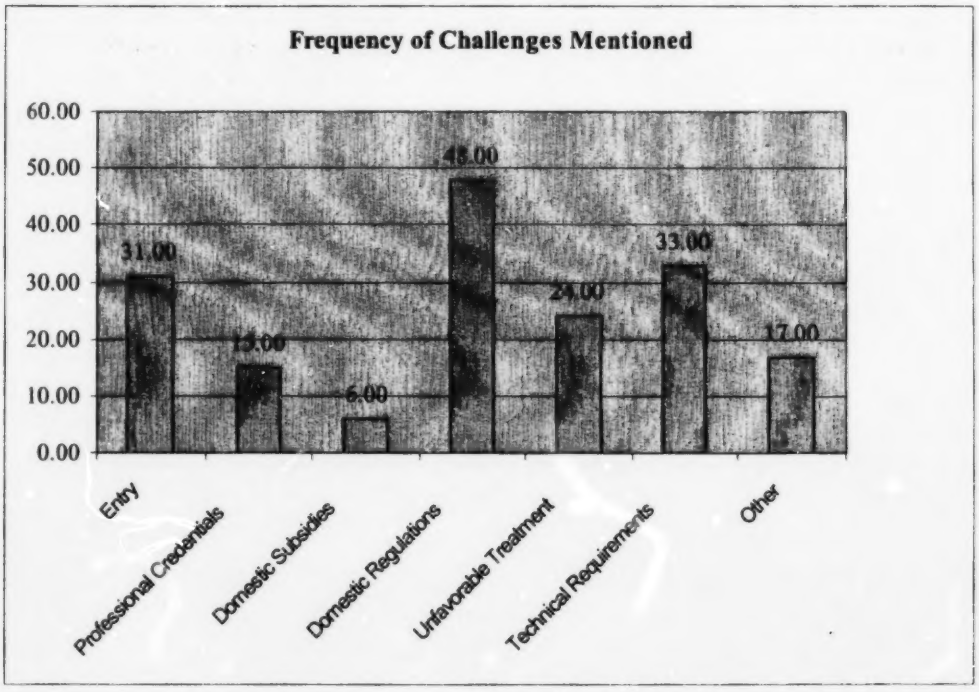
The central premise of this research effort is the collection of qualitative information on those experiences in which Alberta service exporters were faced with difficulties in exporting their services or, more accurately, the difficulties they experienced in gaining access to foreign markets. In a general sense market access refers to the ability of foreign firms to compete relatively unimpeded with similar domestically-produced services.[12]

[12] *Background Document on Services Issues, Services 2000.*

During the first round of GATS negotiations, the primary benefit achieved for the private sector was "standstill" - i.e., members agreeing to make their regulations predictable and no less liberal than they already were. The New Round offers an opportunity to gain "rollback" or more liberalized market entry conditions.

In conducting the interviews for this project, it became clear that service exporters are unaware of (a) the types of liberalization being pursued in GATS, (b) the present status of liberalization commitments for various economies and the fact that it differs by economy, and (c) what they should ultimately be able to expect in terms of market access. Therefore, a summary box of what can be expected under GATS has been provided for each of the challenges discussed.

The types of challenges mentioned during this research study fell into one of six categories. The most commonly mentioned issues involved domestic regulations (48%), followed by technical requirements that were not considered objective (33%). Each type of challenge will be discussed separately in the following sections.



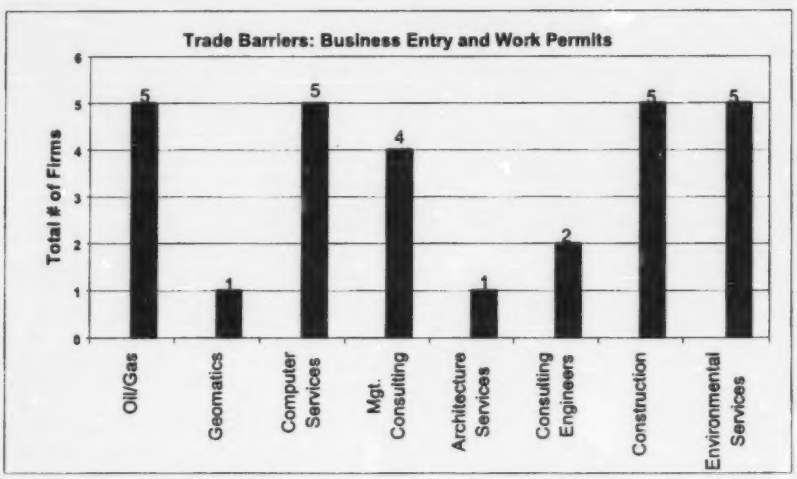
3.4.1 Temporary Business Entry

Note to the Reader on Temporary Business Entry

The right to enter an economy for business development purposes or to acquire a work permit is not automatic under GATS but is only granted as a Mode 4 concession on a service-by-service basis by the WTO members for the delivery of specified services. Service exporters should only expect easy temporary business entry if a country has made that explicit commitment in its schedule of commitments. Any service exporters experiencing difficulties should advise the Alberta government that a particular market is of interest to them and request that Mode 4 discussions be undertaken.

Regarding the U.S. and Mexican markets, NAFTA allows for expedited access from Canada 60 categories of professional services, among which are Architect, Computer System Analyst, Economist, Engineer, Industrial Designer, Land Surveyor, Landscape Architect, Management Consultant, Geologist, Urban Planner, and others. Any service exporters in these categories that experience difficulties at the border should first make sure that they have met all of the NAFTA credentials and documentation requirements as outlined in www.dfait-maeci.gc.ca/nafta-alena/cross-e.asp , the official NAFTA website and then should advise the Alberta government of the difficulty.

Temporary Business Entry: *By type of service exported, mode of supply and country of interest (foreign market), has your company's directors, managers and/or staff ever experienced difficulties in gaining temporary business access, i.e., business visa, work permits after a contract has been negotiated?*



Major Offenders: USA; Nigeria; Libya; Kuwait; Brazil and Trinidad.

Synthesis of Responses:

A number of Alberta service exporters reported difficulties with US Customs in respect of both temporary business entry and work permits.[13] Difficulties were encountered at almost all major Customs points. Several companies mentioned that there seemed to be a lack of understanding by some of these officials in respect of NAFTA[14] rules resulting in a considerable amount of time and energy spent by the Alberta service exporters in rectifying/explaining matters. Disclosure in any conversation in respect of "work" or "business" resulted in unreasonable delays and harassment. Problems extended to difficulties in bringing in promotional literature and difficulties in bringing in "equipment" to be used in the service export activity. Difficulties in respect of equipment importing were also mentioned frequently in respect of unreasonable domestic regulations, below. Landed immigrants (Canadian) noted they had particular difficulties in gaining visas and/or work permits. Respondents also noted that the visa process in Nigeria is fraught with bureaucracy and corruption.[15] As well it was reported that political statements issued by Canadian politicians have made the process of work and visa acquisition sometimes more problematic. Notably, this complaint arose a number of times throughout the research program, and was mentioned within the context of service exports to Indonesia and Russia in particular. While companies did not object to Canadian positions in respect to such matters as human rights, they felt that political statements made by Canadian politicians do not always adequately take into consideration the economic impact on Canada's private sector. Other respondents noted that it was difficult to keep abreast of the many ongoing changes in Libya's visa regulations. The application process, they asserted, was often frustrated and delayed by these frequent changes in procedures. Transparency was also noted as a significant issue.[16]

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[13] *As noted in section 2.4 above, issues are presented as described by the interviewee. Whether the reported issue is a matter of US Customs Policy or US Immigration Policy appeared not to be of relevance to the interviewee as much as the situation experienced hindered access to the US market.*

[14] *Further to the footnote above, no effort was made to assess the expertise of the respondent relative to NAFTA or to investigate at length the incident(s) encountered. Again, this seemed of less relevance to the interviewee as much as the situation experienced hindered access to the US market. Importantly, however, some further investigation of these "types" of issues should be undertaken before any definitive action is drafted.*

[15] *Difficulties with corruption and/or bureaucracy are not only a matter of concern in respect of market access in Nigeria. A substantial base of literature exists identifying corruption issues around the world. However, this report represents a synthesis of responses and no attempt was made to lead the respondents in discussions of what other markets they might encounter bureaucracy and/or corruption.*

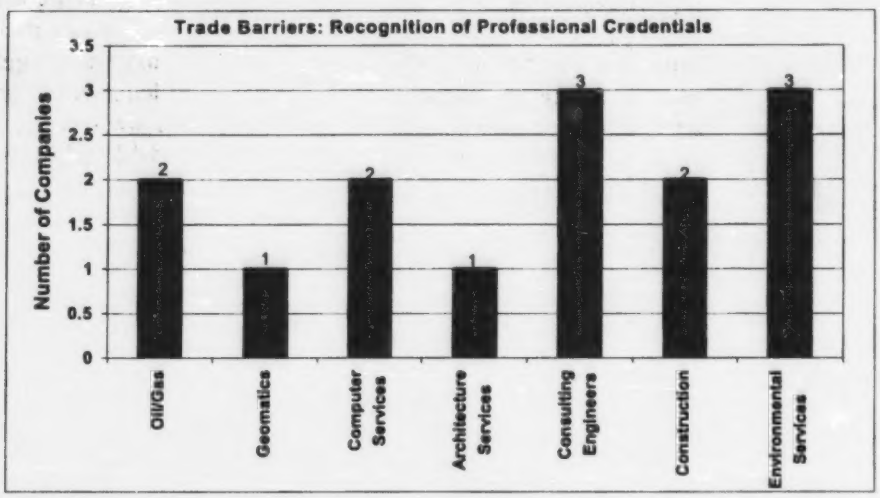
[16] *Of course, unless Libya has bound Mode 4 for the services in question there may not be a requirement of transparency. This then becomes a negotiation request, not a compliance issue.*

3.4.2 Recognition of Professional Credentials

Note to the Reader on Professional Credentials

There is no guaranteed mutual recognition of professional credentials at this time under GATS, but limits are placed in terms of objective criteria to be used. Any mutual recognition would need at this time to be negotiated bilaterally, and typically it takes place between professional (licensing) associations rather than between governments.

Recognition of Professional Credentials: *By type of service exported, mode of supply and country of interest (foreign market), has your company and its directors, managers and/or staff ever experienced difficulties in obtaining recognition of professional credentials needed to perform work in a foreign market?*



Major Offenders: USA; Greece; Indonesia and UK

Synthesis of Responses:

In respect of the USA, numerous instances were reported in which there has been a lack of recognition of professional credentials and qualifications. This was a concern for those individuals possessing technology certifications, e.g., engineering technologists, surveyors and the like. As well, there appeared to be no recognition given practical experience versus academic credentials. On another level, the lack of a reciprocity agreement between the USA and Canada in respect to certain professions, i.e., engineering, was asserted to have impeded the export of services. These barriers to entry

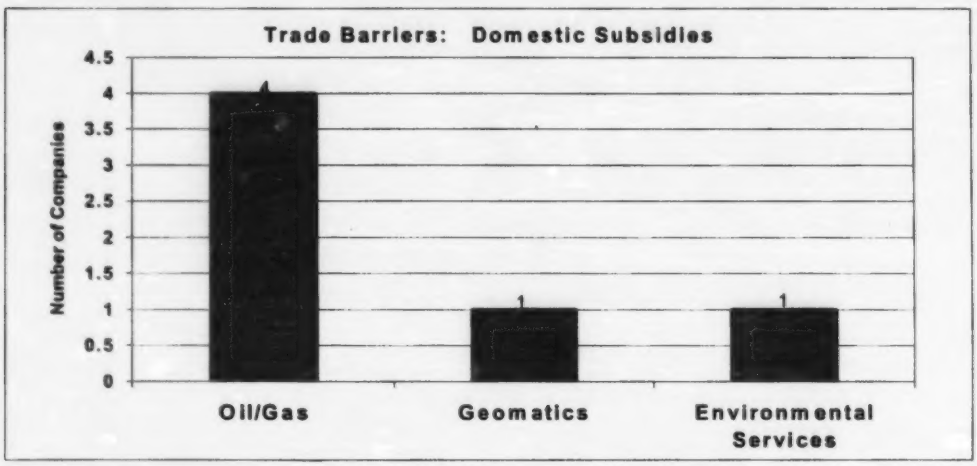
affect exports via movement of natural persons, cross border and commercial presence. In other countries, such as Greece, the absence of a professional reciprocity agreement was used to enforce buy local legislation and/or unduly restrict access to local contracts, e.g., architectural projects. [17] In Indonesia, it was noted that often the job specs require higher qualifications than is necessary. This in turn leads to higher project costs. Additionally it was mentioned by some Alberta service exporters that, in some US states, technical requirements exceed federal standards thereby impeding market access by Alberta exporters who meet published federal standards but are either unaware or unable to meet state standards.

3.4.3 Domestic Subsidies

Note to the Reader on Domestic Subsidies

At the present time, there are no international disciplines that forbid domestic subsidies. Most economies, including Canada, offer export assistance programs and other export-related subsidies especially to smaller firms or new-to-market exporters.

***Domestic Subsidies**: By type of service exported, mode of supply and country of interest (foreign market), has your company experienced instances of domestic subsidies (instances where domestic firms are subsidized by their governments) that make its services less competitive?*



Major Offenders: Venezuela; Argentina; France; EU and Australia

[17] *Notably, the issue in question in respect of reciprocity may not be a contravention of GATS if mutual recognition had not been negotiated. Thus the approach to the issue must focus on whether a contravention occurred or whether some new negotiation is required.*

Synthesis of Responses:

The incidence of domestic subsidies[18] was by far the least mentioned of the market access barriers. Of those that did mention experiencing these difficulties, most companies – other than those exporting to Venezuela - were not able to point at a specific instance or policy that clearly set out specific subsidies for local companies. By way of example, it was reported that local companies in Venezuela are afforded a 10 percent premium on their bids versus foreign companies. Also, in many cases subsidies were indirect and/or hidden. Indirectly the excessive use of unreasonable withholding taxes applied to foreign companies (Russia, Mexico) serves to indirectly subsidize domestic companies. Some respondents reported that the European Union, and certain member countries thereof including France, directly subsidize domestic companies to assist them in their efforts to secure contracts in foreign markets as well as compete on IFI (e.g., World Bank, Asia Development Bank) development contracts/projects. In a sense the system of Trust Funds is a direct subsidy, though in the case of many EU countries, subsidies extend significantly beyond the use of Trust Funds.

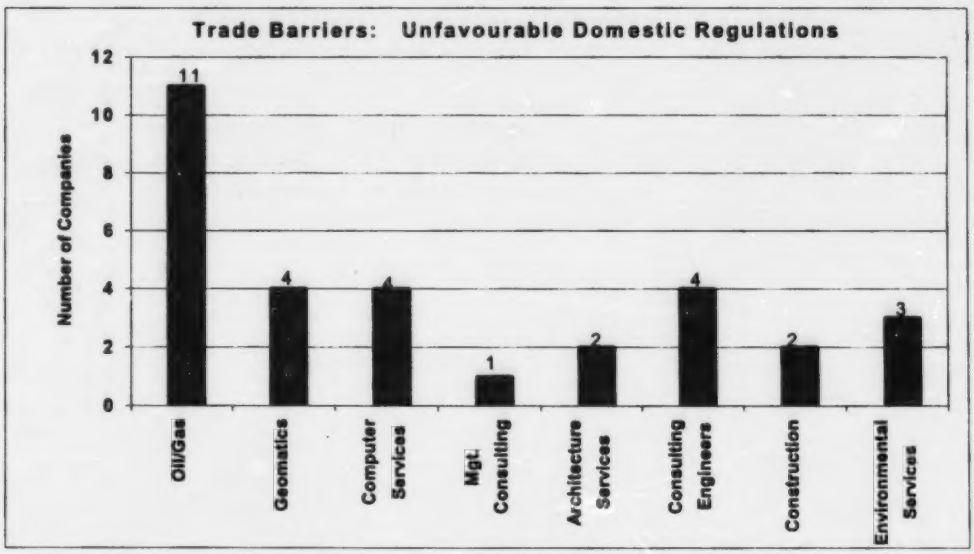
[18] *While GATS does not address service subsidies at this time it is expected that this issue will be discussed during the upcoming negotiations. Services 2000*

3.4.4 Domestic Regulations

Note to the Reader on Domestic Regulations

GATS recognizes the sovereign right of governments to regulate domestic services for their own national development objectives, at federal and subfederal levels. Those regulations, however, are to be administered in a reasonable, objective, and impartial manner. Establishing ground rules for appropriate regulation is one of the main tasks of the New Round.

Domestic Regulations: *By type of service exported, mode of supply and country of interest (foreign market) has your company encountered instances of domestic regulations that make its service exports less competitive?*



Major Offenders: USA; Mexico; Venezuela and Brazil

Synthesis of Responses:

A large number of Alberta service exporters expressed concern with the plethora of national, state and local rules and regulations within the US. While some would argue that the primary issue is one of transparency, of equal or greater concern is the cumulative impact of these regulations on the competitiveness of Alberta service exporters. State and federal legislation encompassing a buy American (Buy America Act of 1933) or buy local policy[19], and the various array of Small Business Set Asides and

[19] *Depending upon perspective, the categorization of certain barriers between discriminatory or unfair domestic regulations and un-objective technical requirements can be very clear to the "trade negotiators" but mostly confusing*

Equity Hiring Policies dramatically erode the competitiveness of Alberta service exporters by disproportionately adding to their costs versus local firms. While certainly it might appear that the rules are the same, the costs of compliance are not. Certainly without a local agent or office, market access would be near impossible. From another angle, certain USA regulations impact on Canadian firms exporting to third markets - extraterritoriality, i.e. ITAR regulations, Helms-Burton Act, Iran Libya Sanctions Act and various "defense technology restrictions". A further concern has been expressed in respect of the US use of "national security" as a poorly disguised form of protectionism.

Respondents also reported that Mexico, Russia and several other countries impose discriminatory withholding taxes on foreign companies, 15% and 30% respectively. In almost all instances these taxes exceed the amount a domestic firm would be required to pay.

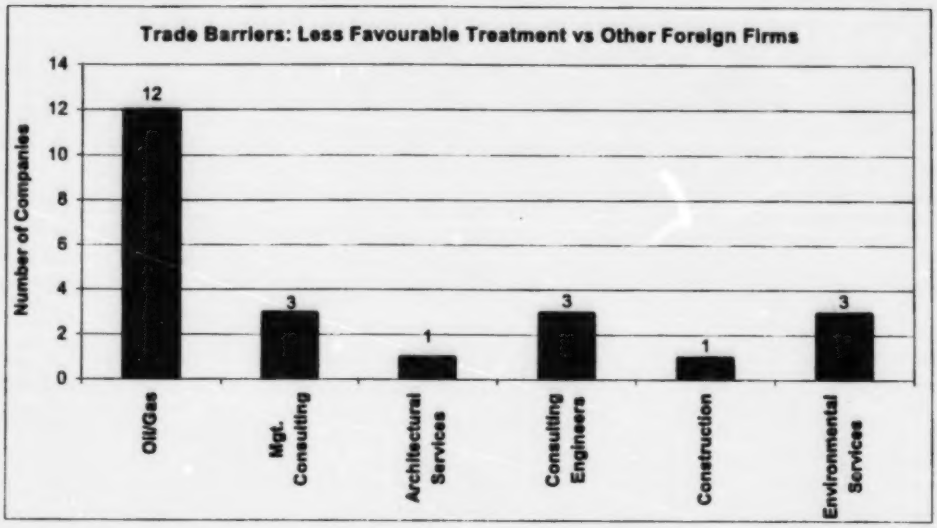
3.4.5 Less Favorable Treatment

Note to the Reader on Favorable Treatment

GATS provides that foreign firms should be granted treatment no less favorable than that given other foreign firms, except where an MFN exemption has been granted to treat a trading partner more favorably. For example, some NAFTA provisions (such as temporary business entry) are more favorable.

Less Favorable Treatment: *By type of service exported, mode of supply and country of interest (foreign market) has your company encountered instances of less favorable treatment versus other foreign firms?*

to the interviewee. Though we have re-categorized some obvious barriers that were mistakenly categorized by the interviewee, there are others we have not tried to re-categorize as they tend to fit best between several categories. In these instances it is more important that they are noted as barriers and less important which category they best fit.



Major Offenders: Saudi Arabia; Iraq; UAE; USA; India; Greece and Russia

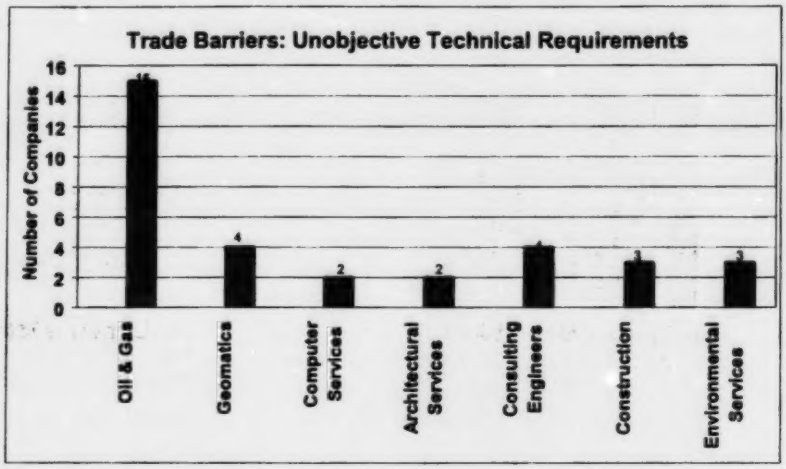
Synthesis of Responses:

Under GATS, if a country allows foreign competition in a sector, equal opportunities in that sector should be given to service providers from all other WTO members.[20] In practice Less Favorable Treatment as a market access barrier is often a double-sided coin. It is as much a problem of the country in which it is allowed to occur as it is a problem by those who legally or otherwise cultivate this favoritism. Unquestionably, in many service export categories and in many of the world's development market areas – especially the Middle East (Iraq, Iran, Saudi Arabia), transitional economies (Russia) and developing economies (India and Indonesia) - countries such as France have employed a system of direct influence to ensure contracts and markets are secured by their native companies. Certainly in some cases this is quite a legal, albeit an unfair, practice. Programs of tied aid, for example, are legal but perhaps not perceived as fair. While the matter of "tied aid" is most certainly a concern for Alberta service exporters, it is not by definition a MFN issue within the context of GATS.

[20] *Unless a MFN exemption has been granted.*

3.4.6 Other Perceived Trade Barriers

Unobjective Technical Requirements: *By type of service exported, mode of supply and country of interest (foreign market), has your company experienced instances where the technical standards and/or requirements of the foreign market were not based on objective qualifications, i.e., preference to local citizens?*



Major Offenders: USA; Iran; Venezuela; India; Brazil; Saudi Arabia; Indonesia and Khazakstan

Synthesis of Responses:

A number of Alberta service exporters reported that "hire local" policies are the norm for contracting in Brazil, Venezuela, Yemen, India, Kazakhstan, Nigeria and Saudi Arabia. Less obvious, but certainly implied in state and federal legislation, similar market access difficulties are inherent the USA's system of SBSAs, Buy American and Equity Hiring Policies that promote and/or necessitate the hiring of local citizens as a precondition to contracting. In other countries (Greece) it is obligatory to open an office or use a local agent.[21]

In some cases it was noted that various IFI projects require the use of local resources in the implementation of various development projects. While this is a commitment under GATS it is nonetheless perceived as a problematic market access barrier by Alberta service exporters.

[21] *Once again it should be remembered that national treatment only applies if a commitment by mode and service has been scheduled.*

Other Trade Barriers: *By type of service exported, mode of supply and country of interest (foreign market), has your company encountered any other barriers in providing services?*

A number of Alberta service exporters identified market access difficulties that were not easily categorized within the six barriers defined above. These issues broadly encompassed concerns with transparency, and concerns with competing with Crown Corporations and Agencies in external markets.

3.5 Transparency and Sensitivities

Under the GATS, all member governments are required to publish and make readily available all laws and regulations relevant to trade in services. This requirement includes the establishment of specific points or offices of inquiry that are available to provide information about regulations in any service sector to governments. Moreover, member governments must notify the WTO of any changes in regulations that apply to the services that come under specific commitments.

3.5.1 Access to Market Information

Access to Market Information: *Has your company been able to get accurate and timely information on relevant foreign market regulations and laws from official sources (e.g., has your company accessed Alberta Government information resources)?*

When asked the above question, 80 percent of the firms interviewed stated that they are generally able to obtain required information on foreign laws and regulations. The table on the following page shows that they frequently acquire it from foreign clients, partners and agents. However, of the government sources mentioned, DFAIT Embassies and Consulates were most often utilized, with a lesser number saying they have used the Alberta Government. It should also be noted that the responses suggested the service provided by Canadian Embassies and Consulates tended to be somewhat uneven, with some providing better information than others.

Information Sources
(Percentage of Responses)

Sources	Percentage
Foreign Clients, Partners, Agents	39.0
DFAIT, Canadian Embassies	17.0
Alberta Government	11.0
Other Federal Government	10.0
Foreign Governments, Other Foreign Sources	9.0
Other Sources	10.0
Don't Know, Never Requested Information	4.0

Countries that were identified as problems in regards to transparency were India, Iran, Thailand, China, Mexico, Venezuela, Kazakhstan and Albania. Even the United States was identified as not being particularly forthcoming on military contracts on the grounds of national security issues, although the work involved was felt to be of an insensitive nature, e.g., computer programming/systems. In respect to the countries mentioned, it should be noted that there was no indication if the firms in question tried to utilize the resources of DFAIT Embassies or Consulates.

3.5.2 GATS Commitment Schedules

GATS Commitment Schedules: *Has your company used the GATS Commitment Schedules? Did you find the information easy to use and helpful?*

The General Agreement on Trade in Services requires Governments to publish Commitment Schedules. These schedules spell out the conditions and limitations placed on market access and national treatment by sector and mode of supply. Unfortunately, only two of the respondents in the sample were aware of these schedules, and of these one indicated that the information was useful while the other was unsure if it was useful.

3.5.3 Sensitivities and Negotiation Positions

Preservation of Alberta Regulations: *Are there any specific Alberta laws or regulations that you would like to see preserved in an international negotiation on services? If yes, please provide details.*

In total, 82 percent of respondents expressed the opinion that they did not want any particular Alberta or National laws preserved in an international negotiation on services.

Indeed, the prevailing view is that wherever possible the Canadian market should be opened more if other countries are willing to do the same, but protected if they do not allow an equal level of access.

Despite the prevailing view of greater openness, several common themes were evident in the responses that referenced some form of preservation. Chief among these are the protection of tax credits for research and development, often mentioned by computer services firms, and the preservation of health and occupational safety standards. Others included protection of environmental standards and Canadian content requirements in procurement, maintenance of professional standards/certification for incoming service providers, and the preservation of overseas tax credits and Canadian wages. Finally, a respondent felt that there should be stricter patent infringement laws.

3.6 Consultation and Service Export Statistics

Consultation and Information Sharing

Ongoing Consultation: *Would you like to continue to be consulted on negotiation issues? If yes, how would you like to be consulted?*

Exactly fifty of the one hundred respondents interviewed indicated they would like to be consulted on future negotiation issues. Of these, roughly 75 percent said that their preference is to be consulted via e-mail. A substantial proportion (approximately 40 percent) specifically wanted to be consulted only on issues that directly concerned their industry sector.

Ongoing Briefings/Information Sharing: *Would you like to be kept informed on the negotiation process and progress? If yes, how would you like to be kept informed?*

Although only one-half of the respondents felt the need to be consulted, a much larger proportion (80 percent) expressed an interest in being informed on the negotiations. Again, the vast majority of these respondents (just over 70 percent) preferred to be informed by e-mail, although almost a quarter indicated short, regular bulletins would be preferable. As well, the overall sentiment was that the information should be presented in as concise a manner as possible.

Further Information*: In respect of the issues discussed today and the upcoming WTO sessions, what further information would you like to see from the Provincial/Federal Governments?*

Only 12 respondents offered anything in response to this question. These varied from expressing a general interest in obtaining more information on Canadian negotiating priorities and strategies, to more information on the major issues that are to be addressed. Other, more specific responses related to a desire for obtaining more information on the negotiations for the oil and gas and construction sectors, to more information on how the

negotiations might affect franchising opportunities in the United States and whether local government procurement will be included.

Service Export Statistics

Participation: *Would you be willing to participate in statistical surveys undertaken by Alberta Treasury in its efforts to gather more information on service providers and exporters in the Province? Do you have any suggestions or comments on the collection of statistical information on Alberta's service economy? What about the use of industry associations in this process?*

The collection of statistical information for trade in services is much less advanced than for trade in goods; nevertheless, statistics provide useful information for developing an informed position in international negotiations. Therefore, Alberta Treasury will be undertaking a statistical survey of service exporters to gather more information on the value and direction of service exports. The above question was asked to gauge the degree to which firms would be willing to participate in such a survey, and to get a sense of how they felt the information should be collected.

Overall, 80 percent stated they would participate in the survey. In addition, although a number of respondents felt that associations might offer good advice on how to best collect data from their members as well as to act as intermediaries in obtaining their members cooperation, the consensus of those willing to participate was that the information should be collected directly from companies because associations generally do not have the detailed data required.

4.0 RECOMMENDATIONS

The following recommendations have been formulated from the various observations, comments, and conclusions generated throughout the tenure of this research effort. For the purpose of brevity we have tried to group a number of common recommendations within a single statement or concept that best describes the collective emphasis of these opinions and we have in some cases prioritized based on the frequency of common responses. In some instances we have excluded suggestions that were seemingly inconsistent with the tenor and focus of this exercise.

Importantly it should be noted that the following recommendations are not those of Whyte Reynolds International Inc. They stem directly from the various interviews with the one hundred company representatives met with. As well, given our understanding of this assignment, Whyte Reynolds International Inc. offers no opinion on the relative merit, legality or appropriateness of these suggestions and as such would suggest that each recommendation be assessed accordingly.

* Allocate resources within the Alberta Government to assist firms in the province that are encountering difficulties with specific trade barriers. Many of the problems encountered are seen to be due to a lack of understanding and/or differing interpretations of trade laws and agreements, and could be easily rectified by experienced personnel. For example, many of the difficulties experienced with United States Customs/Immigration could readily be solved by Government personnel (as industry advocates), who are experienced and well versed in NAFTA provisions.

* Advise Alberta based service firms as significant developments occur with the GATS negotiations. It is further recommended that they be informed by e-mail, since the majority expressed a preference for this. Information should be posted and highlighted on the Alberta Government Website, with instructions on how firms can access pertinent details by e-mail if they are not already doing so.

* Encourage the teaming of companies into consortia and strategic alliances so as to strengthen the expertise and services available for larger foreign projects. As well, inform and assist smaller firms with the preparation of bids let out by International Financial Institutions, e.g., World Bank, Asian Development Bank, European Bank for Reconstruction and Development.

* Encourage the development of a mentoring program for new exporters, or those considering exporting their services. Such a mentoring program could bring inexperienced exporters together with firms that have been involved in foreign markets for some time. Ultimately the program would serve to assist those firms with little export experience by easing the apprehensions, uncertainties and lack of knowledge that almost inevitably accompany initial entries into foreign markets.

* Provide training to service exporters on how to enter new foreign markets. This training would go beyond the cross-cultural and "general" instructions that most respondents perceive is currently available, to the actual provision of specific "how to" information that focuses on particular industry structures, distribution systems, contacts and the like.

* Encourage the Export Development Corporation to lower the contract amounts it will insure. While it is recognized that the Corporation is currently looking into this matter, the feeling is that the amounts will not be lowered sufficiently to be of benefit to many of Alberta's service providers which often engage in smaller valued contracts, e.g., under $50,000.

* Encourage a review of PEMD with the view to streamlining its application and reporting procedures. This review should determine whether or not the program can be expanded to encompass marketing opportunities not normally covered and/or address misconceptions regarding its applicability to certain ineligible types of activities.

Appendix A: Interview Protocol

Company Code:	*Used to maintain confidentiality of information* ◄	Date:

Interview Protocol

Alberta Qualitative Service Exports Study

September 1999

Introduction: (Letter) The firm of Whyte Reynolds International Inc. is undertaking research on behalf of the Alberta Government departments of: International and Intergovernmental Relations and Economic Development. A summary of the results of the study will be provided to all participants. If you have any questions, concerns or comments that cannot be addressed by Whyte Reynolds International Inc., please contact either Daryl Hanak [International Trade Counsel, International and Intergovernmental Relations] by phone 780.422.1339 or email at *daryl.hanak@gov.ab.ca* or Justin Riemer [Economic Development] by phone at 780.427.6302 or email at *justin.riemer@gov.ab.ca*.

Objective: To provide the Alberta Government with more information on the province's services exports. This information will be used to help formulate the province's approach to the World Trade Organization's General Agreement on Services Trade negotiations beginning by 2000; and, assist the province to identify the types of assistance needed to increase the competitiveness of Alberta service exporters. The study will also help refine the export promotion goals of the Alberta government.

PART ONE: CONTACT INFORMATION

Please be assured that any specific commercially confidential information that you may provide will not be released to the public or to other competitors.

1.0	Company Name:	
1.1	Contact:	
1.2	Position:	
1.3	Address ln1:	*Room for up to two contacts. Additional interviewees can be added at the end of the questionnaire under the section for additional comments and information.*
1.4	Address ln 2:	
1.5	City:	*Company size, by employee numbers and primary/secondary location (urban/rural or rural/urban) are also sorted out at this time.*
1.6	Postal Code:	
1.7	Telephone:	*Note Urban locations include Edmonton and Calgary; Rural/Urban refer to other Alberta "cities", i.e. Red Deer, Medicine Hat and Lethbridge; and Rural locations include all other sites.*
1.8	Fax:	
1.9	e-mail:	
1.10	Company Size (by number of employees):	

PART TWO: SERVICE EXPORTING ACTIVITY

2.1 Current Service Exporting Activity.

A service is exported when the buyer is a non-Canadian, regardless of where the service delivery takes place. It is also important to clarify that CIDA contracts or subcontracting to Canadian exporters are not export activities, though they are international work.

2.1.1 **Export reliance: What approximate percentage of your company's revenues are generated by service exports and how long has your company been exporting?**

%	yrs

2.1.2 **Industry type:** By the manner of services you export, which Industry type best describes your activities. If more than one, what approximate percent of total service export revenues do these individual industry types represent?

Note that the intent of WTO negotiations in respect of progressive liberalization will focus on 12 service categories named in the GATS. This research effort will focus only on three: Business Services (oil and gas; geomatics; computer services; management consulting; and architectural), Construction and Engineering (consulting engineering, construction), and Environmental (environmental services).

Industry Type	*%*	*Industry Type*	*%*
Oil and gas		Architectural	
Geomatics		Consulting Engineering	
Computer Services		Construction	
Management Consulting		Environmental Services	

Notes:

2.1.3 **Modes of supply:** By percent of gross revenues earned from service exports what modes of supply are most often utilized by your company?

Key definitions:

Mode 1: Cross-border: Here the service crosses the border, independent of the Albertan exporter or the consumer. Examples include services provided through the telecommunications or postal infrastructure, such as consulting or market research reports, tele-medicine, distance training, etc.

Mode 2: Consumption abroad: Here the consumer crosses the border into Alberta. Examples include hotel or restaurant services for non-residents, training programs for foreign students, health services provided to non-residents, etc. Covered also is the movement of the consumer's property (e.g., sending a ship or other equipment to Alberta for repair).

Mode 3: Commercial presence: Here the supplier of the service is a locally-established affiliate, subsidiary, or representative office of an Alberta service firm, which may employ local personnel or be incorporated under local laws. While the actual service provision is by a "resident", the investor is foreign (i.e., an Albertan company). Examples include local offices of multinational service firms, offices for infrastructure projects, etc.

Mode 4: Movement of natural persons: Here the Albertan supplier of the service is in the foreign country on a temporary basis and so remains a non-resident. Examples include professionals travelling abroad to meet with clients, provide training sessions, etc.

Cross-border.		Commercial presence.	
Consumption abroad.		Movement of natural persons.	

2.1.4 **Current Export Markets**: At the present time, by country and by activity level (e.g. % of gross service export revenues earned) what are your company's priority export markets?

The WTO negotiations will involve over 130 countries. In order for Alberta and Federal officials to make the most use of limited resources, they need to know which countries should receive the most attention in the negotiation process.

Country		*Country*	

2.1.5 **Export Markets of Interest**: In addition to the countries noted above and in order of priority, over the next three to five years what other export markets might your company have an interest in pursuing?

Country	*Priority*	*Country*	*Priority*
	1		4
	2		5
	3		6

2.1.6 **Export Market Development:** What methods does your company usually employ to develop its service export markets?

1	*Responses should be listed from most often to least often and would*
2	*likely include such methodologies as (1) bidding or direct solicitation on IFI contracts;*
3	*(2) market research; (3) country visits;(4) trade missions; (5) publishing of.*
4...	*..papers/research;(6) participation in an international association and its activities; and so forth.*

2.1.7 **E-Commerce**: Does your company use e-commerce in its export of services and if yes, what factors are important to enhance your usage?

☐ YES ☐ NO

1	
2	*Responses might relate to training, encryption issues, internet access and so forth*
3	
4	

2.1.8 **Service Exporting Assistance**: Is your company aware of the types of assistance presently offered by the Alberta and Federal Governments to assist the private sector to build service exports (See attached Alberta Government prepared "Market Profiles")? Of these existing programs, which has your company found to be the most helpful? What additional types of assistance would be helpful?

Most helpful assistance available
1
2
3
4

Additional assistance required
1
2
3
4

2.2 Current Service Exporting Activity. (Detailed Overview - Optional)

Service Export: _____

Mode of Supply:			
1. Cross-Border %	2. Consumption Abroad	3. Commercial Presence	4. Movement of Natural Persons.
Priority Export Markets (Current)			
Priority Export Markets (Proposed)			

This format is intended to graphically tie together responses to questions 2.1.2, 2.1.3,2.1.4 and 2.1.5. Specifically to graphically show the relationship between the type of service export, its mode of supply, current and prospective export markets.

PART THREE: NON-TARIFF BARRIERS, TRANSPARENCY AND SENSITIVITIES

3.1 Specific Non-Tariff Barriers to Trade

Information on specific barriers to trade in services will help focus government efforts in the negotiations. Barriers that might be addressed in future WTO negotiations may come in various forms, six of which are identified below. Collectively there are two types of barriers: (1) those that restrict or impede market access; and, (2) those that affect how your company is treated once it has gained access to the market.

3.1.1 **Temporary Business Entry**: By type of service exported, mode of supply and country of interest (foreign market), has your company's directors, managers and/or staff ever experienced difficulties in gaining temporary business access, i.e. business visas; work permits after a contract has been negotiated?

Service Export	*Mode of supply*	*Country*

3.1.2 **Recognition of Professional Credentials**: By type of service exported, mode of supply and country of interest (foreign market), has your company and it's directors, managers and/or staff ever experienced difficulties in obtaining recognition of professional credentials needed to perform work in a foreign market?

Service Export	*Mode of supply*	*Country*

3.1.3 **Domestic Subsidies**: By type of service exported, mode of supply and country of interest (foreign market), has your company experienced instances of domestic subsidies

(instances where domestic firms are subsidized by their governments) that make its services less competitive

Service Export	*Mode of supply*	*Country*

3.1.4 **Domestic Regulations**: By type of service exported, mode of supply and country of interest (foreign market), has your company encountered instances of domestic regulations that make its service exports less competitive?

Service Export	*Mode of supply*	*Country*

3.1.5 **Less Favourable Treatment**: By type of service exported, mode of supply and country of interest (foreign market), has your company encountered instances of less favourable treatment versus other foreign firms?

Service Export	*Mode of supply*	*Country*

3.1.6 **Unobjective Technical Requirements**: By type of service exported, mode of supply and country of interest (foreign market), has your company experienced instances where the technical standards and/or requirements of the foreign market were not based on objective qualifications, i.e. preference to local citizens?

Service Export	*Mode of supply*	*Country*

3.1.7 **Other Barriers**: By type of service exported, mode of supply and country of interest (foreign market), has your company encountered any other barriers in providing services?

Service Export	*Mode of supply*	*Country*

3.2 Transparency

3.2.1 **Access to Market Information**: Has your company been able to get accurate and timely information on relevant foreign market regulations and laws from official sources (e.g. has your company accessed Alberta Government information resources)?

☐ YES ☐ NO

Details:

3.2.2 **GATS Commitment Schedules**: Has your company used the GATS Commitment Schedules? Did you find the information easy to use and helpful?

☐ YES ☐ NO

Easy to Use

☐ YES ☐ NO

Useful

☐ YES ☐ NO

3.3 Sensitivities and Negotiation Positions

In an international negotiation other countries will make requests of Canada for changes to federal and/or provincial laws and regulations.

3.3.1 **Preservation of Alberta Regulations**: Are there any specific Alberta laws or regulations that you would like to see preserved in an international negotiation on services? (This identification should include those regulations that protect and those that provide incentives). ? If yes, please provide details..

☐ YES ☐ NO

PART FOUR: NEXT STEPS – CONSULTATION, STATISTICS

4.1 Consultation and Information Sharing

The WTO service negotiations are expected to continue for several years after they are launched. The Alberta government would like to ensure that they provide you with information on the negotiations that is useful and up-to-date.

4.1.1 **Ongoing Consultation**: Would you like to continue to be consulted on negotiation issues? If yes, how would you like to be consulted?

☐ YES ☐ NO

Responses may include a "hot line"; web address with chat; regular mail-outs seeking input/reaction; workshops; information seminars and the like

4.1.2 **Ongoing Briefings/Information Sharing**: Would you like to be kept informed on the negotiation process and progress? If yes, how would you like to be kept informed?

☐ YES ☐ NO

As in 4.1.1, above responses may include a "hot line"; web address with chat; regular mail-outs seeking input/reaction; workshops; information seminars and the like.

4.1.3 **Further Information**: In respect of the issues discussed today and the upcoming WTO sessions, what further information would you like to see from the Provincial/Federal Governments?

4.2 Service Export Statistics

The collection of statistical information for trade in services is much less advanced than the statistical information available for trade in goods, but statistics are an important factor in developing an informed position in international negotiations. Early in 2000, Alberta Treasury will be launching a statistical survey of service exporters from pre-selected sectors in an attempt to gather information on the value and direction of service exports.

4.2.1 **Participation**: Would you be willing to participate in statistical surveys undertaken by Alberta Treasury in its efforts to gather more information on service providers and exporters in the Province?

☐ YES ☐ NO

4.2.2 **Collection Methodologies**: Do you have any suggestions or comments on the collection of statistical information on Alberta's service economy? What about the use of industry associations in this process?

PART FIVE: ADDITIONAL COMMENTS AND INFORMATION

5.1 Additional Client and Company Information

_____

_____

_____

_____

_____

_____

5.2 Interviewers Notes:

_____

_____

_____